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ARGUMENTS

OF THE

NEW YORK

Cheap Transportation Association,

IN FAVOR OF

SENATE BILL No.

Providing a Board of Railway Commissioners for this State ;

MADE BEFORE THE

COMMITTEE ON RAILWAYS, OF THE SENATE,

MARCH 28, 1876.

Ex Libris

SEYMOUR DURST

THE NEW YORK

Cheap Transportation Association.

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Mr. CHARLES WATROUS, Chairman of the Committee representing the New York Cheap Transportation Association, addressed the Senate Committee as follows :

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE ON RAILROADS :

We appear before you to-day in behalf of a bill which has been introduced in the Senate, and referred to your Committee, which provides for the establishment of a Board of Railroad Commissioners in and for the State of New York. This bill was prepared by the Committee on Legislation of the New York Cheap Transportation Association ; is based upon an act providing a similar Board of Commissioners for the State of Massachusetts, and in its preparation our Committee had the benefit of the advice and experience of Mr. Charles Francis Adams, Jr., who is everywhere recognized as an authority upon questions of transportation, and an exponent of fair and just principles of action as between railroad companies and the public. The Association which we represent is composed of business men of the State of New York, many of whom are stockholders in different lines of railway, and whose only object in advocating this measure is the establishment of just and proper relations between these great semi public institutions and the public. The importance of this question has been becoming more and more apparent during the last twenty years during which time the magnitude of business transacted by railroads has increased more than fourfold. As an indication of the importance of the subject to the public, we might state that the amount paid for transporting freight alone over the railroads for this State during the year 1874 was \$65,085,604, and there is no law now on the statute books regulating this immense tax upon commerce, nor any means of knowing whether it is just or unjust. During the same period, the total amount paid for moving property over the canals of this State, including the tolls, was about one-sixth of this sum ; in addition to the receipts for freight charges, there was upward of \$25,000,000 derived from passenger traffic, and \$7,000,000 from miscellaneous sources, sums which are in the aggregate more than six times as large as the entire revenues of the State derived from taxation. The proper regulation of this great system, on a basis which will be just to all concerned, is a difficult problem of political economy, and one which is continually becoming more intricate as

the system grows complex. The general situation is briefly but forcibly stated in one of the reports of the Massachusetts Board of Railway Commissioners, of which Mr. Adams, Jr., is Chairman. It says:

“More public attention than ever before has, during the last year, been given to the nature and extent of the relations existing between governments and railroad corporations. This has especially been the case in America, where most unusual activity, and at times an unnecessary degree of temper, have characterized the discussion and consequent political action, while the burden of the discussion has related to the unsatisfactory character of these relations. The tendency of political action has been toward their close definition, and the drawing of the machinery of transportation more and more within the range of Government control. In Great Britain, the agitation has led to the creation by Parliament of a Board of Railway and Canal Commissioners, which is apparently designed to act as a special tribunal, having cognizance only of certain questions arising between railroad companies as among themselves, or between them and the community. In America, it has resulted in prolonged legislative debates and inquiries, in the passage of numerous laws, and in certain States, of new constitutional provisions. It may be presumed, as a result of forty years' expenditure of capital and labor, the general work of railroad construction is now completed, in its larger aspects, or in other words, the more civilized countries of the earth are supplied with improved highways sufficient for their immediate wants, and the question of adjustment has succeeded the work of construction, and an enormous mass of machinery, social and political, is assuming its relations with the political with which it finds itself incorporated, and is necessarily exercising a very disturbing influence upon them. The amount of this disturbance seems closely proportioned in different communities. The railroad systems were in the beginning established upon the relations for an even operation on general economical laws alone, or upon government supervision or control. It would seem to be much greater in the former case and less in the latter. This arises from the fact that all communities which sought to base the regulation of their railways upon the economical laws alone are in some way, and whether consciously or unconsciously, trying to abandon that ground and to get upon some other. It may now be taken as generally conceded, that railroads are, and from the very nature of things must always remain, practical monopolies ; that the operation of the law of com-

petition as affecting supply and demand can exercise a very limited control over them, and that this limited control is rather of a disturbing than an equalizing character. The supply of competing railroads is not, and cannot be, indefinite, nor does the increase in their number tend to decrease the cost of transportation; nor when unprofitable in one place can they be moved to another; nor can any excess of capital invested be realized at will and otherwise used.

“Nor can they be made to feel the influence of competition equally at all points which they serve. Competition is, however, made up of these very elements here wanting. It is their presence which supplies its effective regulating of fares to the natural laws of supply and demand. The popular mind has been slow to realize that they were here wanting; but once this obvious fact is conceded, it follows that all the dealings of railroads with a community must either be unregulated except by the intermittent action of the disturbing force, or else that they must be carried on under a greater degree of governmental interference. Very naturally, therefore, the character and degree of governmental interference are most actively discussed in those countries which originally organized their railroad systems on the assumption that no such interference was necessary. Of these countries, America was that one which carried its reliance upon economical laws the farthest. It is in America, consequently, that the work of readjustment is accompanied with the greatest amount of difficulty. In theory, however, though not in law, the railroad corporations of America originally enjoyed an independence of government control common to all general enterprises. They were ordinarily likened to associations for purposes of improved bootmaking or other manufacturing, and left in their operations to be controlled by the same economical laws. In practice, however, they have been subject to all sorts of legislation intended to regulate them in their relations to the community. For over forty years, the attempt on the part of legislative bodies to form statutes in the nature of usury laws, which would be of some binding force when applied to transportation, has been no less incessant than futile. As regards regulating fares and freights, for example, the favorite subject for legislation, the framing of a practical railroad tariff, one which will even fairly conform to local and economical requirements, is the most difficult and perplexing task to which railroad managers are called upon to address themselves. Yet, until very recently, the idea has been almost universal among legislators that it required only the

passage of some simple law limited to a few sections, which almost anyone could draw up after an hour's consideration, to regulate the whole subject on a wise, just, cheap and permanent basis. Accordingly, the statute books of all the different States contain examples of enactments passed in this spirit of confident ignorance."

The general result of the investigations of the present very able Board of Railway Commissioners for the State of Massachusetts points to the following conclusions: That the whole subject of transportation, and the relation of our modern highways to the public is one of vast importance, and none the less complex than it is important; that it demands the constant and careful study of a Board of Commissioners, who, in order to be useful, must be men of character and capacity; that any legislation, to be wise and beneficent, must be based upon the results of such study; that in practice, the very existence of such a body obviates the necessity of much legislation for it acts as a means of arbitration between the railroads and the public in many matters which come before them; that it serves to focalize, and bring to bear public opinion upon many of the points involved, and defects and abuses are in consequence thus thoroughly remedied which might remain and be a constant source of irritation and bad feeling. We are of the opinion that the operations of such a Board would prove beneficent in all respects, and that once in operation, it would be regarded with great favor by even railroads themselves, for it would act as a safeguard against the strikes to which railroads are now constantly exposed. This act does not endow the Commissioners with any arbitrary power to fix the rates of freight as has been done in some of the Western States. Its provisions are almost precisely similar to the Massachusetts law, the duties of the Commissioners being in brief to study the workings of the transportation system of the State, collect information, and report to the Legislature the result of their labors. The present system of supervision, and system of reports made to the State Engineer and Surveyor, is little better than no system at all. As an illustration of which, we quote from a report made by the Sodus Point & Southern Railroad to the State Engineer, and which appears on page 754 of his last annual report:

"D. M. Green, Esq., Deputy State Engineer and Surveyor:

"SIR—The Sodus Point & Southern Railroad Company passed into the hands of Sylvanus J. Macy, receiver, on the 7th day of June, 1874, and prior to that time the road has been in the hands of Charles J. Pusey for some one and a-half years as lessee and con-

structor for completion of the road. No books or accounts were found to make a reliable report for a whole fiscal year. The statements here presented cover the period from June 6th to October 1st, 1874. The construction account is made up by adding the expenditures of the above named period to the amounts contained in the report forwarded to State Engineer and Surveyor for 1873. The undersigned believe that said amounts are largely in excess of the true amounts as contemplated by the statute, and for that reason do not vouch for the correctness of the construction account.

“SYLVANUS J. MACY, *Receiver*.

“HENRY VAN VLECK, *Superintendent*.”

Under a proper system of supervision by a competent Board of Railway Commissioners, such a state of things would be impossible. One of the most useful acts of the Massachusetts Board of Commissioners has been the codification of the laws of that State relating to railways. In referring to the necessity of this work, the Commissioners say “that no one who has had occasion to notice the existing confusion of those laws can doubt the expediency of passing, with the least possible delay, some such measure as that submitted. The accumulation of special acts relating to railroads has been such that it is now most difficult to ascertain the exact position of corporations either toward each other or toward the State.”

From an examination of the general railroad law of this State, with the many amendments and special laws which have since been made, we are impressed with the force of the foregoing remarks as applied to the laws of our own State, and of the necessity of similar work being performed here. Of the general desirability and propriety of creating a Board of Railway Commissioners such as we have indicated for this State, we can only say we simply call your attention to the fact that the State exercises in the interest of the public a supervisory authority over insurance companies, savings banks, etc., and why should it not over our system of transportation? a system which derives its existence from the people, is essentially public in its character, and the only one which shares with the State the power of taxation, which power is exercised to the extent of raising a revenue, as before mentioned, six times larger than that of the State. And finally a system on which the general welfare of the State is more dependent than any other created by its laws.

We come before you as business men who have no personal ends to subserve nor any interest other than that which every producer,

consumer and business man has in this subject. We do not ask that arbitrary and unjust laws be enacted ; but we claim that the interests alike of stockholders and the public, demand that there shall be a careful study of the relations which exist between our transportation system and the public, and such regulation as will be just to all concerned.

MR. SIMON STERNE *followed in support of the Bill, saying :*

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE :

When my friends of the Association which I here represent asked me to go before you and urge the passage of the bill organizing a Railway Commission for the State of New York, I must confess that I had but little stomach for this fight by reason of the very slight effect that my argument made two years ago upon a committee of the Senate, composed almost of the same members as the present one, had upon the progress of the bill then before it. That that bill, similar to the one now before you, was not even reported caused me to feel how hopeless our task was, until a public opinion had been created sufficiently powerful not to be resisted in the legislative halls.

Senator SELKREG.—Will you kindly explain the provision of the bill, and why it is so lengthy a document ?

MR. STERNE.—Gladly. The bill organizes a Commission for the State of New York, at the expense of the railways themselves, which Commission shall have power to investigate the books and papers of all railway corporations in this State, to examine into their management, and to report such remedial measures as may suggest themselves to the Commissioners and report to the Legislature from year to year. The Commission has no power to regulate freights and rates at which passengers are to be carried, nor actively to interfere in the management, but simply to prevent that abuse of railway corporate affairs which has resulted, on the one hand, in an entire forgetfulness on the part of the directors that they have public as well as private functions to perform, and on the other, of the duties which are incumbent upon them towards the stockholders.

The bill is a lengthy one, because in our jealous regard for the interests with which we were dealing we did not desire in general terms to clothe these Commissioners with power, but carefully to enumerate every investiture of authority so as not to allow them to step one inch beyond.

The Commission have further the right and duty to prescribe a uniform system of keeping railway accounts, so as effectually to stop comparatively bankrupt companies from imposing upon the community as being prosperous concerns, and on the other hand, to prevent by a false system of book-keeping organizations having franchises of enormous value, from keeping down the dividends that they really earn, and thus hiding from the public eye and their stockholders the great value of the privileges which they possess, and the vast sums they earn, and this Commission therefore is to put a check upon the organization of the numerous drains to carry off into the private purses of the directors the surplus earnings made by the corporations, of the latter category, with which they are connected.

When we take into consideration that our railway companies absorb annually nearly one hundred millions of dollars in the State of New York alone in the transportation of freight and passengers, it is manifest that great and vast public duties have not been brought under public control, and that, though more important in this case than in our banking and insurance systems, the same State supervision and control has not been devised for it. And yet it is a more aggressive and more powerful interest, and carries out larger public functions than are performed by the other partly public and partly private businesses which have been subjected to such supervision. At the time of the organization of our State Government, under the constitution of 1846, Insurance and Banking interests had been fully developed, and the dangers to which the community might be subjected by their improper management were fully understood. The railway interest at that time promised such fruitful results in the development of the industrial and commercial interests of the State, and the danger from its existence seemed so slight, that no alarm was created as to its future influence upon the State, and it was and is left free to exercise the right of *eminent domain*, and to consolidate itself into the vast, colossal, and almost overpowering financial, social and legislative monster it has grown to be. We are now, however, brought face to face with the question whether it is not wise to resist the growth of this great *imperium in imperio*, in so far as its influence from its management is concerned, and to bring that under public supervision and control. We certainly did forget, in our efforts to promote the vast advantages to be derived from railways, that the highways are always matter of public concern, and belong to the public, and we but now see that within the last twenty years the

railway has become the highway of the people, and that the ordinary road or turnpike bears the same relation to it, that the gig does to the locomotive engine, or the wheelbarrow to the palace-car. We even in the infancy of railway enterprise undertook to regulate that which was supposed to be the main part of its business, to wit, the passenger traffic, but which in process of time became its least important part, and now scarcely represents one-fourth of the income of railways in this State.

When you will take into consideration the mildness of the measure which we propose, and how jealously and carefully it guards all the legitimate interests of the corporations which are designed to be affected by it, you will find it difficult to understand how there should be any opposition to such a measure, and wonder especially why there should be opposition on the part of the railway companies themselves to what we now propose; and if they oppose the passage of this bill, unwisely and short-sightedly, it cannot but be concluded that opposition to the slightest investigation into their affairs arises from the fact that their affairs will not bear investigation. Should the people once so conclude, they will insist upon carrying through to legal enactment a more stringent measure, with reference to the more efficient regulation and government of our new public highways. So that this creature and child of the State, the railway corporation, clothed by the State with the power which is the badge of sovereignty itself, to wit, *eminent domain*, a power of confiscation, a power it now asserts as against municipal corporations themselves, and denies the right of a subordinate part of the State to take away from it for superior public purposes the land which it originally acquired for a *quasi* public purpose, shall no longer conduct as against the State government itself the power of government, but be made subservient to the public weal.

Now, the railway, this child of the State, looks with jealousy upon its own parent attempting to regulate its conduct; it says that it will take care of itself, but it stretches out its arms, as we know, in this State, to interfere and control a great many other interests than its own. It attempts even to regulate the government for us, and no government can exist for any long period of time and provide for the welfare of its citizens so long as there is a power within it more powerful than itself.

In Spain, the cowl rules the State. The Spanish nation did not in time prevent the growth of that monastic and priestly power, which gradually absorbed all the other powers of the State, and thus Spain affords a particularly striking contrast to the English nation,

which, beginning with the *Act de Religiosis* in the time of Henry I., counteracted the absorption of the land of England by the Church, concluded its public policy in this particular with the confiscation of Church property under Henry VIII., and thus forever prevented the creation of an antagonistic power to the public weal—a policy which placed England in the vanguard of progress from that time forth.

When dissolute princes ruled France, loose women were more powerful than the throne. In our own State, the table, around which are seated our railway magnates, is the actual place of the government of the State, instead of the legislative and executive departments.

Those who, from interested or sinister motives, see fit to oppose the law we desire to have enacted, pretend to believe that we are opposed to the railway interest itself. Nothing can be farther from the truth; our interests are identical with those of the railways. I represent, in speaking here upon this measure, thirteen hundred business firms of the State of New York, who supply at least two-thirds of the shipping and forwarding business of the State, and surely a class of people so largely interested in the permanent welfare of the State cannot for a moment be charged with opposition to the railways. What they are opposed to is malversation, mismanagement, and disregard of public interest which have crept into railway affairs, and they propose this mild measure of reform not because they believe that they understand these questions better than those whose business it is to conduct railway enterprises, but to create an instrumentality of a wise, discriminating and expert Commission, through whose aid a solution may be found for the difficult problem of reconciling both public and private interests in the management of these corporations. What we propose cannot with propriety be now opposed on the ground that it is an experiment. The State of Massachusetts has had for seven years past a Railway Commission, of which Charles Francis Adams, Jr., is at the head, and it has done excellent service. Its reports from year to year to the Legislature and the intelligent people of that State not only are satisfactory expositions of the evils and their remedy of railway legislation and management, but it has also been found a useful Arbitration Committee and a stay to hasty and ill-advised legislation, and the people of that State seem not unwilling to extend its power, and the Commission this year feel authorized to ask for such an extension in the very report which I hold in my hand. In this, the seventh annual report of the Railway Com-

mission of the State of Massachusetts, they ask of their Legislature that which is already embodied in this bill before you: the power to prescribe a uniform system of railway accounts. To show you how necessary such a system has become, I shall quote what the Commission says, in the report to which I have alluded, upon this subject:

"The railroad returns are, and must continue to be, essentially unreliable, if not even deceptive, until a radical reform in the methods of railroad book-keeping is devised. Upon this point the Commissioners have no new considerations of a general nature to offer. The cause of the difficulty is obvious. It dates from the very origin of the railroad system, when it was not appreciated what that system, as a whole, or the several members of it individually, were destined to become. Railroads were then regarded as purely private enterprises, managed by corporate bodies, in the doings and business affairs of which the holders of the company's stock alone were interested. They were supposed to be more analogous to turnpike corporations than to anything else, and enjoyed much the same exemption from public supervision, nominal returns only being made by them. Gradually, however, the public character of the functions they exercised became understood, until, as long ago as the year 1846, only eleven years after the first three roads were opened in Massachusetts, the corporations were called upon by a general law for annual statements of their doings and condition, which since then have been published as part of the records of the State." (p. 25.)

"They are, however, still often inaccurate, and at times even deceptive. Indeed, whenever those in charge of a corporation have any object to gain by a concealment of the true condition of its affairs, the returns afford an excellent opportunity, amounting to almost an invitation, for either the suppression of the true or the suggestion of the false. They do so in a very obvious way. They are collected by authority of law, and compiled by public officials. They are prepared under oath, and upon a uniform schedule of interrogatories, the answers to which are carefully tabulated. Under all these conditions, the returns go out to the public with a species of endorsement of their truthfulness and accuracy on the part of the Commonwealth. They thus enjoy an authority which in no way belongs to them. In the popular mind, it is naturally supposed that, as the results are uniform, the methods through which they are arrived at are likewise uniform, and it requires very considerable familiarity with railroad accounts to see that this is not the case. The returns of each road, on the contrary, are arrived at from a system of book-keeping peculiar to itself, through the application of arbitrary rules, which in different cases may or may not be the same, and which, in the case of corporations at all embarrassed financially, are almost certain to be exceptional. Under such a system, it is no way necessary to have recourse to fraud or mis-statement, in order to give to a company's affairs a desired aspect, whether favorable or otherwise. It can be done with perfect certainty, and yet the books be accurately kept and the results truthfully deduced from them. It is only necessary to apply to the real facts the arbitrary rules which each company lays down for its own guidance, and which do not appear on the face of the returns." (p. 26.)

"The degree to which the balance representing net earnings may be apparently increased or diminished at will can be perfectly illustrated is a matter of now almost daily experience—the replacing of iron by steel rails. Of two cor-

porations engaged in doing this, one is embarrassed, and wishes to increase its apparent income; the other is pursuing a conservative course, and is improving the value of its property; each must lay down some rule under which the unusual outlay for steel in place of iron shall be entered on its books. The embarrassed corporation so manipulates the account that the whole outlay is ultimately charged to construction, while by the conservative corporation it is met at once out of the net earnings." When the cost of the steel is thus disposed of, the old iron still remains among the assets of two corporations, piled up along the track awaiting a purchaser. It must therefore appear in their returns as property on hand. One corporation charges it off its books at so much material on hand required for use in yards, sidings, etc.; while the other will estimate it not at its market value, but at its original cost, on the ground that it is still fit for use. Thus, by a simple and perhaps not dishonest manipulation of accounts, in a way which is not apparent on the face of the returns, a corporation which is doubling the value of its property may prove itself unable to pay a dividend; while another corporation on the high road to insolvency may figure out heavy surplus." (pp. 27-28.)

"A similar difference of system among the several corporations is made apparent by a comparison of the cost at which their rolling-stock stands on their books. The variations are so wide as to be almost ludicrous. The explanation is again found in the fact that each company is a law unto itself. In one return, a number of new engines or cars made in the shops of the company during each year are charged as part of the expenses of operation, on the ground that they roughly represent the general deterioration of the rolling-stock. In another case, it will on examination be found that every addition to rolling-stock is charged to construction, and that old numbers are carried on the books long after that which they once represented has been condemned for deterioration. The present cost of a new first-class 8-wheel locomotive, weighing thirty tons, is \$8,000; that of a new first-class passenger car, complete, is \$4,600, while a box freight car costs \$700, and a flat or platform freight, \$575. On the books of the companies it will be noticed that locomotives vary from \$2,507 to \$12,365; passenger cars, from \$96 to \$4,500; and freight cars, box and flat (in the way the returns are made, the value of these cannot be separated), from \$57 to \$868. In glancing over the table, the discrepancies are so great that it is not easy to believe that the figures in any one column relate to property of the same description." (p. 32.)

Those who urge against the adoption of our scheme the expense to which it will subject the railways—about thirty-five or forty thousand dollars a year—forget that there is probably not one of the main lines which pass through our State that expends less in a single session of our Legislature for the prevention of strikes against its interests. The organization of such a commission will prevent hereafter two kinds of applications for legislative interference from coming year after year to the Legislature. Those devised by a set of adventurers, who come here with measures to frighten railway corporations to buy them off, and such as are devised by the railway managers themselves, who come here for the extension of their own powers. We suppose that, hereafter,

by common consent, legislation for these subjects will, to be successful to obtain the legislative ear, be expected to originate in that department of the State government having the question of railways in charge, and the Legislature will be as little troubled with questions affecting their interests as they now are with the question affecting the banking and insurance departments of the State, which departments have worked well, have given safety, certainty and tranquility to those interests of public welfare—a peace and security to the public interests which, notwithstanding the great public service which the railroad corporations perform, the people of the State are far from experiencing at their hands.

It is for you, gentlemen, to determine from what point of view you choose to regard the measure we now propose. Let me assure you that it is not a felon whom you can with impunity turn out of doors, but a creditor who stands here asking his due, and whose demands you must meet sooner or later with compound interest however long you may delay the payment of the debt, and it is not wise to delay that to too late a period. Complications may and will arise that will make the solution of this problem more and more difficult from year to year. The solution is now attempted quietly and dispassionately by the mercantile interests of this community, who speak to you through us. Let the grievances which the people will be called upon to suffer at the hands of railroad companies become much worse than they are now, let them once become the shibboleths of party, and an ignorant multitude frame party platforms about this matter, and the work will then be taken up by different hands from the conservative ones, to which this question is now confided—hands which are regardful of the property interests they are called upon to deal with. Let it slip from them and probably the next demand will be the immediate co-partnership of the State in railways, and if that demand should fall again upon heedless minds the people of this State may insist upon the confiscation of railway franchises within its borders. I therefore address you in the same spirit as I would address a board composed of railroad presidents, had they it in their power to pass this measure ; I would urge them in their own interest to let this bill become a law.

MR. A. B. MILLER, of the New York Cheap Transportation Association, said :

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE :

In appearing before you for the purpose of advocating the passage of the bill creating a Board of Railway Commissioners for the State of New York, I beg to direct your attention to the depressed condition of the business of the city of New York, which has been brought about, to a great extent, by unjust discriminations that have been made against her and in favor of rival cities by the various trunk lines of railway extending from the grain producing regions of the West to the Atlantic seaboard.

As an illustration, I will call your attention to two recent instances, viz.: 4th class, or heavy freight, has been transported, within a few months past, from Boston, Mass., to Chicago, and other equi-distant Western points, for \$3 per ton; while the charge for the same freight from the city of New York to the same places was just 100 *per cent. more*—\$6 per ton, and this with less distance from New York. During the past winter, corn and other grain has been transported from Chicago and other Western cities, to Baltimore, at no less than 15c. per bushel less than was charged for its delivery to the city of New York.

The consequence has been most disastrous, and unless remedied, must result in the loss of our commerce and the decline of our hitherto prosperous city. Already some of our most prominent and enterprising importing and shipping houses have been compelled in self-defense to establish branches at Baltimore and Boston for the purpose of availing themselves of these advantages. Therefore, notwithstanding the depression that has attended the business of the country consequent upon what is termed the *hard times*, Boston, Philadelphia and Baltimore have not suffered relatively the same percentage of loss as New York.

It is well known, Mr. Chairman, that our State has become the "Empire State" almost entirely through the flourishing growth and prosperity that has resulted from the commercial success of the city of New York, and which, up to a very recent period, may be attributed to the connection of the great lakes with the Hudson River, and Atlantic Ocean by the Erie Canal; but the more modern railroad is fast supplanting water routes in the commerce of the country, and unless we have advantages that will permit the productions of the country to be placed as cheaply in New York as

in other seaboard cities, our city must decline, and the State will speedily follow her fallen fortunes.

I believe there is no instance recorded in history where a city or nation, having lost her commerce, ever regained it. The city of Bristol was at one time the principal seaport of Great Britain; but with her rapidly increasing business, greater facilities, such as docks, warehouses, etc., were required, but instead of furnishing them, increased exactions were imposed upon commerce, until they became intolerable. This resulted in the erection of the splendid system of docks and warehouses which has converted Liverpool into the foremost seaport city of the British Empire, while Bristol, as the result of her greed and indifference to the wants of commerce, has almost fallen into obscurity. The city of Salem, Mass., is a somewhat similar instance of decay in our own country, as it is but a few years since she possessed almost the entire East India trade, now diverted to the more enterprising cities of New York and Boston.

From these lessons we should be taught to see that our great State and city are not impeded in their marvelous growth and prosperity by any neglect of the Government, or of her citizens to provide all needful transportation, and such other facilities as will secure their commercial supremacy. As a means to this end, I firmly believe that the passage of the Railway Commissioner Bill will be a great auxiliary in enabling the people to become acquainted with the facts relating to the construction and management of our present system of railways, and supply such data and suggestions as will tend to promote the best interests of the people in bringing about uniform and cheap railway transportation. Therefore, I hope that your Honorable Committee will favorably report the bill now before you.

COL. F. A. CONKLING, *being called upon, addressed the Committee as follows :*

Having been a witness of the patience and courtesy with which you, Mr. Chairman, and your associates, have, from an early hour this morning, listened first to one and then to another set of petitioners, I shall confine my remarks to as brief a space as possible.

We have come here as the representatives of the commerce, interior and exterior, of the city of New York, in the full confidence that our interests will receive at your hands the same friendly consideration which they have always received in the past. When we

recollect that the people of this State, more than half a century ago, constructed the Erie Canal for the purpose of opening an outlet for the products of the West to the markets of the world, thus bringing the cheap and fertile lands of that great region into direct competition with their own wheat and corn producing farms; when we recall the fact that New York was then only a city of the second rank, and that, as the fruit of this generous policy, she sprang, as with a single bound, to her present commercial pre-eminence, it would ill become us to doubt that our petition will receive from the committee a just, and even a favorable consideration.

We come here not to make war upon the railroads, but to submit our views to an impartial tribunal, which we feel confident will dispense even-handed justice both to the citizen and to the common carrier. It is our earnest wish to meet the great corporations which control the carrying trade of the State, or their representatives, in an entirely conciliatory spirit. We stand ready to modify the bill now in your hands, in any way which will be acceptable to the companies, provided only its vital essence is preserved. But one thing I am sure is needed to bring us together in perfect harmony, and that is the concession, on the part of the companies, that their accounts are not, and ought no longer to be treated as, a matter of private concernment, demanding entire secrecy, but that a uniform system of accounts should be adopted, to the end that a reasonable degree of publicity should be given to their operations.

For myself, I claim to be a railroad man. In years gone by, when I had the honor to serve as a member of the Legislature, it was even made a matter of reproach that I was a railroad and not a canal man. I may say in behalf of my colleagues, as well as myself, that we are all railroad men. Every intelligent man knows that the railroad is at once the expression and the instrument of the modern civilization. A very brief glance at its history will suffice to show that such is, and in all coming time must be, its office. Recognizing its overmastering importance and power, it should be the aim of every patriotic man to give it the greatest possible amount of development and utility, which I am satisfied has never yet been done either at home or abroad.

The first train of railway cars, as we now understand that term—i. e., a train of wagons drawn by a locomotive engine over an iron track—was run over the Liverpool and Manchester Railway on the 6th of October, 1829, or, in other words, but little more than forty-six years ago. Yet on the 1st of January last there were in the world 166,000 miles of railway, of which 74,500 were in the

United States, 16,175 in Great Britain, 13,250 in France, 13,250 in Germany, 12,050 in Russia, and so on, down to 40 miles in Japan. Now contrast these aggregates with those of the canals. With the aid of an eminent statistician, I have recently ascertained the whole number of miles of canal in the world to be but 24,500. This aggregate includes the slack-water navigation of the great rivers of the Orient, such as the Yangtse Kiang and Hoang Ho, in China, and that of the Ganges, in India. It is the accumulation of all the ages, for the canal has existed from the dawn of history. It has been the instrument of trade and travel among semi-barbarous as well as among civilized races of men.

Why, then, has the growth of the railroad so far outstript that of the canal? In the first place, the railroad enables us to substitute steam for animal power. Besides, while the canal is rendered unavailable in our latitude during one half of the year, the railway performs its functions unceasingly, regardless of the frosts of winter or the droughts of summer. But in addition to economy of transportation and to unceasing regularity in its operations, the railway insures a degree of celerity of movement which is wholly impossible of attainment on the canal.

The cost of transporting Indian corn over an ordinary highway is equal to 20 cents per ton per mile. At that rate, it will bear transportation for a distance of only 125 miles to market where its value is equal to 75 cents per bushel. With such highways only it would have no commercial value outside a circle drawn upon a radius of 125 miles. Upon a railroad properly constructed and equipped, the cost of carriage is but $\frac{1}{2}$ c. per ton per mile. With such a work, consequently, the circle within which corn, at the price named, will have a marketable value, will be drawn upon a radius of 3,200 miles, or more than twenty-five times as great as on a common country road.

A single transaction out of hundreds, not to say thousands, will illustrate our grievances as respects the management of our great lines of railway.

A dealer in the West recently ordered from a broker in the city of New York a lot of soda ash. The price of the article in our market was 2c. per lb., gold, and the freight charged to its place of destination was 41c. per cwt. Upon writing to his correspondent in Boston, he ascertained that he could fill the order there for 2.1-16c. per lb., gold, making a difference of cost in favor of New York of $6\frac{1}{4}$ c. per cwt., but he also learned that the freight, and that, too, over the New York Central Railroad, was but 21c. per cwt., a

difference, of course, of 20c. per cwt. in the cost of transportation, and a net difference of $13\frac{1}{4}$ c. in favor of Boston. Of course the purchase was made there, although the price of the article was less here. It was made there to the prejudice of the steamers coming to New York, to the prejudice of the New York merchant, with his clerks and draymen, of the owners of real estate, etc., etc.

Now, what we have come here to contend for is, that the railroad system of the State may in the future be so managed that the city of New York will not only be placed upon a footing of equality with other cities on the Atlantic seaboard, but that it shall derive the greatest possible amount of benefit from it.

We know that nature has designed the city of New York to be not only the outpost and portal of the New World, but likewise the centre and focus of the capital and commerce of this whole hemisphere. We believe that the city of New York, if we are only true to our high destiny, will, within the lifetime of the child born to-day, contain, with its suburbs, a population of not less than 10,000,000 souls. When the population of the Mississippi Valley shall have increased to 50,000,000, which it is not too much to say it will do within the period indicated, then its trade will become the greatest commercial prize ever wrestled for—a prize compared with which the far-famed trade of East Indies will sink into insignificance.

Whether or not the city and State of New York maintain their proper relations to this great commerce of the early future depends very largely upon the conduct of the great railways within our borders.

MR. CHAUNCEY DEPEW, *representing the New York Central and Hudson River Railroad Company, then addressed the Committee in opposition to the bill.*

He could see no use for any such Commission. It was a singular fact, that the human mind was so constituted, that men thought they could manage a business which they knew nothing about a great deal better than the business they knew all about. These Railroad Commissions in other States, so far as practical railroading was concerned, amounted to nothing. They were very good on theories and statistics, and that was all it amounted to. If they could get a Commission that could control and restrict all the railroads in the country, there would be more sense in it; but this proposed Commission could only act in this State, whereas the rival roads which determined the action of the New York roads were out

of the State and would be out of their jurisdiction. He explained the reasons why freight was a few weeks ago carried cheaper from Boston than New York, showing it was the rivalry of the Grand Trunk, a bankrupt concern, run "wild," and not in the interest of its owners. He referred to the recent controversy between the merchants of New York and Mr. Vanderbilt, growing out of the wide discriminations in tariffs against New York and in favor of competing cities, and declared that a Commission such as was proposed would have been powerless under the circumstances to accomplish any good. He detailed other contingencies in freight rates which were attendant upon railroading, in all of which he said a Commission would be useless.

MR. T. F. LEES, *of the New York Cheap Transportation Association,*
replied to the foregoing as follows:

MR. CHAIRMAN AND GENTLEMEN:

It was not my intention to have added anything to the exceedingly comprehensive and complete arguments of those who have preceded me, in behalf of the bill under consideration, but the gentleman who has just spoken in opposition, while he has not, in my opinion, presented any argument whatever upon the questions involved, has made statements which call for some response. I am willing to accept the proposition that men, as a general thing understand their own business best, and will add that where their interest lies, and in proportion to their interest, will their best judgment be brought to bear.

A few men, or even one man, may own or control a railroad, but of necessity great authority and powers are delegated to numerous officials, who govern the details of operation, who, as a rule, have not a dollar invested in the road, unless an occasional "turn" in Wall street may be considered such an investment, and whose only real interest is in the collection of their salaries. These officials, together with those who have placed them in position, blindly persist in believing that they are conducting a "private business," and will only reason from the standpoint that they are operating *with* the public, instead of *for* the public.

But, sir, the transportation which they thus govern and direct is a most practical and vital element that enters into the calculations of every merchant in this State. It daily and hourly holds close relations with the thousands of millions invested by the merchants, manufacturers, and real estate holders, and it is therefore

not only proper that they should study and seek to understand the great question upon which their prosperity largely depends, but it is their imperative duty.

If the proposed Commission does nothing more than enlighten the people, it will perform a valuable service. Year after year, for many years, up to three years ago, the estimated actual cost of transportation by rail was about 1c. per ton per mile. During the past three years, events have forced the public mind to an energetic and intelligent consideration of the question; the estimate has been gradually modified, until now it is only $\frac{5}{8}$ c. per ton per mile, and some good authorities place it even lower. It appears that the people have been studying to meet the progress of the times, while the railway managers were disposed to run along comfortably in the old groove. Let us look at some facts in practical railroading, and see whether or not we can discern a sphere of usefulness for Railway Commissioners.

The past year will ever be remembered as a year of unusual commercial depression. The unsettled condition of trade, and of the currency, *together with a lower tariff basis than was ever before known*, made it a year as unfavorable for railroading as for other interests. The Pennsylvania Railroad Company's report for that year shows out of gross earnings of \$58,000,000, net earnings of \$21,500,000, over and above the gross expenses, including rentals, interest and dividends, and the Company, for the first time in its history of twenty-nine years, is without any floating debt whatever.

This result comes of retrenchment, made in anticipation of hard times, and conveys an idea of the variation to which railway estimates are susceptible.

Mr. Adams, of the Massachusetts Board of Railway Commissioners, in his report for 1874, says:

"Of the seven Boston roads between which a comparison may fairly be instituted, it will be found that the cost per mile owned varies 87 per cent.; their investments per mile owned varies 182 per cent.; while the cost of running trains varies 60 per cent."

Here we see a surprising variation in the cost of constructing and operating a "business" by those who "know all about it."

The explanation, Mr. Adams says, is found in the fact that the several corporations adopt their system of book-keeping to meet their financial necessities. Where their annual net receipts are in excess of the amount necessary to pay dividends, new equipments and construction are charged to operating expenses, and thus the community is, through the medium of surplus earn-

ings, itself paying in the required capital. Where they with difficulty earn enough to declare dividends, all doubtful items are charged to account of construction, and are capitalized in the form of new stock or debt. It seems to me that such revelations as these should remove all doubt as to the usefulness of Commissioners.

The gentleman who preceded me (Mr. Depew) has set up the conduct of the Grand Trunk road of Canada as an apology for the discriminations made by the New York Central road in favor of Boston and against New York. In reply, I will simply ask how it happened that the discrimination to Cincinnati, Louisville and points beyond, wholly inaccessible by the Grand Trunk road and its connections, were just as great as they were to competing points?

It is true, as the gentleman says, the Grand Trunk Road is financially unsound; but it is well known that there are sub-corporations doing the business of that road, controlled by a few men who hold a majority of the stock of the road proper, and who are enriching themselves while they impoverish the great majority of stockholders, who hold a minority of the stock only.

There is at present no law to prevent the same practice in this State, although public opinion has so far partially held it in restraint.

The gentleman (Mr. Depew), in referring to the recent controversy between the merchants of New York and Mr. Vanderbilt, says that in such instances and in all instances of tariff complications, a Commission would be useless. Now then, it happens that during that controversy referred to, Mr. Vanderbilt expressed a willingness to refer the question to Mr. Adams, of the Massachusetts Commission, and we are therefore forced to believe one of two things: either Mr. Vanderbilt was trifling with the public in suggesting such a reference, or, Mr. Depew, in declaring that a Railway Commission would be useless, has not stated the views of those he represents. But in point of fact, it is not proposed that the Commissioners under this act shall exercise powers in such contingencies as have been detailed. It is not proposed that a Board of Commissioners shall meddle with the rates of freights at all, and I can only regard the introduction of the question here as foreign to the real issue. The principle which really underlies this bill is honest construction, honest equipment, honest management, and the rates will take care of themselves.

Mr. STERNE.—Mr. Depew certainly seems too much to rely upon both our forgetfulness of the past, and our want of

knowledge of what is going on around us. He asks, what are the grievances of railway management of which the people have a right to complain? The history of the Erie Railroad, under the control of Fisk and Gould, is not so remote a one that we do not well remember the lesson which it teaches. We are not unmindful of the many stories which are now current tending to show that certain railways are not on the verge of bankruptcy or ruin simply because their property is not wasted with the same rapidity, and because the franchises are of enormously greater value, and the local traffic is so profitable as almost to defy any system of mismanagement.

Mr. Depew has referred to one tendency of the human mind, which I think deserves an answer. He says : That it is one of the infirmities of the intellect that we all of us think that we can manage the affairs of others better than they can whose business of life is to attend to it ; in other words, that we imagine that we can arrange the affairs of railways better than the railway managers can themselves. The simple answer would be : We do not for a moment arrogate to ourselves, in addition to such faculties as may be necessary for our special avocations, the possession of the faculties necessary for successful railway management ; we cannot manage them at all. We want to organize a board of railway commissioners composed of experts who themselves shall not even have the power to undertake their management, but which shall sit as a permanent body to discover for us whether or not they are well managed, and if not well managed, show us the defects in their management, and to suggest the remedy. That they shall make this problem their life study, and critically consider the development of the beneficial elements of this great social machine and repress its socially antagonistic and dangerous elements. But there is one infirmity of the human mind certainly more universal than the one to which Mr. Depew has referred, and which powerfully affects the minds of railway managers ; that is, the tendency to exaggerate the important functions which they perform in the social economy, and the tendency they exhibit to claim to themselves the credit due to the natural agents which they subject to their executive powers. And hence it is that this arrogant power scouts the idea of the scrutiny of government in its direction. And our railway managers, a set of selfish but energetic business men, claim at our hands the credit due to the inventors of the great and useful inventions which they have made available for the uses of mankind. We must not forget that it is the steam engine, not Mr. Vanderbilt and

his kind, which in this country has so materially aided the progress of civilization.

MR. H. FARRINGTON followed in support of the bill, reciting instances where supervision by the State or General Government over banks and insurance companies has resulted in protecting the public and sound institutions against weak and irresponsible corporations. He did not consider that the reasons assigned by the gentleman (Mr. Depew) who opposed the bill, in explanation of the discrimination in favor of Boston, were satisfactory, or could in any way be made to account for the superior advantages enjoyed by Philadelphia and Baltimore.

OBJECTS.

THE NEW YORK CHEAP TRANSPORTATION ASSOCIATION is established to obtain, preserve and circulate valuable and useful information relating to transportation; to encourage the improvement and increase the capacity of our terminal facilities for the handling and storage of produce and merchandise; to facilitate the adjustment of differences, controversies and misunderstandings between its members and transportation companies; to advocate the construction of new avenues for transportation and the improvement of those now existing; to devise, submit and advocate plans of legislation, by which the defects and abuses of the present system may be remedied, and to advocate such other principles and projects in connection with the subject of transportation as will tend to advance the commercial prosperity of our city and state.



